

Message Text

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41

ACTION ARA-06

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P 121314Z JUN 75

FM AMERICAN EMBASSY SAN JOSE

TO SECSTATE WASHDC PRIORITY 0464

LIMITED OFFICIAL USE SAN JOSE 2402

LIMDIS

PASS EXIMBANK

E.O. 11652: NA

TAGS EFIN, CS

SUBJECT LATIN AMERICAN BANK

1. THE LATIN AMERICAN BANK'S FINANCIAL PROBLEM APPEARS TO BE COMING TO A HEAD MUCH MORE RAPIDLY THAN EXPECTED. MAJOR CREDITOR BANKS HAD HOPED TO SECURE A SIXTY-DAY MORATORIUM DURING WHICH NO CREDITORS WOULD PRESS INDIVIDUAL CLAIMS. THIS WOULD HAVE PERMITTED TIME TO WORK OUT AN ORDERLY ARRANGEMENT FOR REFINANCING.

2. IT NOW APPEARS THAT IT WILL NOT BE POSSIBLE TO HOLD OFF SOME OF THE CREDITORS FOR AN EXTENDED PERIOD AND THREE REPRESENTATIVES OF CREDITOR BANKS WHO ARE HERE IN SAN JOSE NOW ARE MEETING WITH VICE PRESIDENT CASTILLO AND CENTRAL BANK PRESIDENT BERNAL JIMENEZ IN THE AFTERNOON OF JUNE 11 TO SEEK AN IMMEDIATE DECISION ON CENTRAL BANK GUARANTEES FOR A POSSIBLE BAIL OUT OPERATION. THE THREE BANKERS --DIEGO MARTINEZ OF CLEVELAND TRUST, CLEVELAND, OHIO; KEVIN SHANLEY OF FIDELITY UNION TRUST COMPANY OF NEWARK, NEW JERSEY

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AND DIETER HASE, DIRECTOR OF BAYERISCHE VEREINSBANK

OF MUNICH, GERMANY -- WILL INFORM THE COSTA RICAN GOVERNMENT OFFICIALS THAT FUNDS ARE AVAILABLE FROM SOME OF THE CREDITORS FOR A REFINANCING OPERATION AND THAT A CENTRAL BANK GUARANTY MUST BE FORTHCOMING BY JUNE 12 IF THE REFINANCING IS TO GO FORWARD.

3. IF THE CENTRAL BANK GUARANTY IS NOT FORTHCOMING, THE U. S. BANKERS EXPECT IMMEDIATE MOVES TO FORCE THE LAB INTO BANKRUPTCY. THIS WOULD BE LIKELY TO CAUSE THE COLLAPSE OF COSTA RICAN BUSINESS FIRMS, ESPECIALLY MEMBER FIRMS OF THE GRUPO PROIN, THEREBY CREATING UNEMPLOYMENT AND GENERAL ECONOMIC DISTRESS AND SEVERE DAMAGE TO COSTA RICA'S INTERNATIONAL REPUTATION.

4. IN ORDER TO AVOID SUCH SERIOUS CONSEQUENCES, THE COSTA RICAN GOVERNMENT IS LIKELY, IN THE EMBASSY'S OPINION, TO MAKE AVAILABLE THE REQUIRED GUARANTY, UNLESS SOME WORKABLE MEANS CAN BE FOUND TO HOLD THE PROBLEM IN ABEYANCE FOR A FEW MORE DAYS. THE EMBASSY WILL KEEP THE DEPARTMENT INFORMED.
TODMAN

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